

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Saugatuck Township Fire District	County Allegan
Audit Date 6/30/04	Opinion Date 11/17/04	Date Accountant Report Submitted to State: 12/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 			Date 12/20/04

Saugatuck Township Fire District
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Statement of net assets and governmental fund balance sheet	4
Statement of revenues, expenditures, and change in fund balance/statement of activities	5
Notes to financial statements	6 - 11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary comparison schedule - General Fund	12 - 13
Schedule of funding progress - Employee Retirement System	14

INDEPENDENT AUDITORS' REPORT

**Members of the Board
Saugatuck Township Fire District**

We have audited the basic financial statements of the Saugatuck Township Fire District as of and for the year ended June 30, 2004, as listed in the contents. These basic financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Saugatuck Township Fire District as of June 30, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Saugatuck Township Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the additional analysis and is not a required part of the basic financial statements of the Saugatuck Township Fire District, but is supplementary information required by U.S. generally accepted accounting principles. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Saugatuck Township Fire District has not presented a management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

November 17, 2004

BASIC FINANCIAL STATEMENTS

Saugatuck Township Fire District

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2004

	Operating Fund		
	Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 336,602	\$ -	\$ 336,602
Investments	55,444	-	55,444
Fixed assets (net)	-	713,627	713,627
Total assets	\$ 392,046	\$ 713,627	\$ 1,105,673
LIABILITIES			
Accounts payable	\$ 5,418	\$ -	\$ 5,418
Accrued liabilities	23,097	-	23,097
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due after one year	-	50,000	50,000
Total liabilities	28,515	75,000	103,515
FUND EQUITY			
Fund balance - unreserved, undesignated	363,531	(363,531)	-
Total liabilities and fund equity	\$ 392,046		
NET ASSETS			
Investment in capital assets, net of related debt		638,627	638,627
Unrestricted		363,531	363,531
Total net assets		\$ 1,002,158	\$ 1,002,158
Total Fund Balance - Modified-accrual Basis			\$ 363,531
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets are not financial resources and are not reported in the funds.			713,627
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(75,000)
Total Net Assets - Full-accrual Basis			\$ 1,002,158

See notes to financial statements

Saugatuck Township Fire District

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

Year ended June 30, 2004

	Operating Fund		
	Modified Accrual Basis	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Public safety	\$ 400,343	\$ 47,999	\$ 448,342
Capital outlay	6,199	(6,199)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest	3,380	-	3,380
<i>Total expenditures/expenses</i>	<u>434,922</u>	<u>16,800</u>	<u>451,722</u>
PROGRAM REVENUES			
Contributions from local units	430,997	-	430,997
Interest	2,118	-	2,118
Other:			
Gain (loss) on sale of fixed asset	15,000	(6,000)	9,000
Donations	9,392	-	9,392
Miscellaneous	750	-	750
<i>Total program revenues</i>	<u>458,257</u>	<u>(6,000)</u>	<u>452,257</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS	23,335	(22,800)	535
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	<u>340,196</u>	<u>661,427</u>	<u>1,001,623</u>
FUND BALANCE/NET ASSETS - END OF YEAR	<u>\$ 363,531</u>	<u>\$ 638,627</u>	<u>\$ 1,002,158</u>
Net Change in Fund Balance - Modified-accrual Basis			\$ 23,335
<i>Amounts reported in the statement of activities are different because:</i>			
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:			
Sale of fixed asset			(6,000)
Capital outlay			3,736
Depreciation			(45,536)
Repayment of bond principal is an expenditure in the statement of revenue, expenditures, and changes in fund balance; the repayment reduces long-term liabilities in the statement of net assets.			
			<u>25,000</u>
Change in Net Assets - Full-accrual Basis			<u>\$ 535</u>

See notes to financial statements

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Saugatuck Township Fire District (Fire District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Fire District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Fire District's financial statements.

The Fire District is a joint venture of the Township of Saugatuck, the City of Saugatuck, and the Village of Douglas formed May 18, 1976, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The modified accrual financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) Bank deposits and investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) Capital assets - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Fire District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ii) Capital assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 40 years
Equipment	10 - 20 years
Vehicles	5 - 15 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and cash equivalents to the Fire District's deposits and cash on hand, as shown in the balance sheet, is as follows:

Financial statements:

Cash	<u>\$336,602</u>
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Notes to financial statements:

Deposits with financial institutions	\$334,602
Cash on hand	<u>2,000</u>

\$336,602

a) Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the Fire District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Fire District's deposits are in accordance with statutory authority. At June 30, 2004, the Fire District has deposits with a carrying amount of \$334,602 and a bank balance of \$340,926. Of the bank balance, \$200,000 is covered by federal depository insurance and \$140,926 is uninsured and uncollateralized.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

b) Investments:

State statutes authorize the Fire District to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper. Investments consist of non-risk categorized, qualifying investment pools and are carried at cost, which approximates market.

Investments are carried at fair market value and consist of:

Non-risk categorized funds:

Local governmental investment pool	<u>\$55,444</u>
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NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Fire District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ <u>22,726</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,726</u>
Capital assets being depreciated:				
Buildings	374,642	-	-	374,642
Equipment	104,498	3,736	-	108,234
Vehicles	<u>663,516</u>	<u>-</u>	<u>7,500</u>	<u>656,016</u>
Subtotal	<u>1,142,656</u>	<u>3,736</u>	<u>7,500</u>	<u>1,138,892</u>
Less accumulated depreciation for:				
Buildings	127,803	8,498	-	136,301
Equipment	54,303	7,328	-	61,631
Vehicles	<u>221,849</u>	<u>29,710</u>	<u>1,500</u>	<u>250,059</u>
Subtotal	<u>403,955</u>	<u>45,536</u>	<u>1,500</u>	<u>447,991</u>
Net capital assets being depreciated	<u>738,701</u>	<u>(41,800)</u>	<u>6,000</u>	<u>690,901</u>
Total capital assets - net of depreciation	<u>\$ 761,427</u>	<u>\$(41,800)</u>	<u>\$6,000</u>	<u>\$ 713,627</u>

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liabilities at June 30, 2004, are comprised of the following individual issues:

\$100,000 2003 Commercial Loan with Macatawa Bank, secured by Kenworth Tanker truck (P.A. 205,99), due in annual installments of \$25,000 through January 25, 2007; interest at 3.55%. \$75,000

a) Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable	\$100,000	\$ -	\$(25,000)	\$75,000	\$25,000

b) Debt service requirements at June 30, 2004, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2005	\$25,000	\$2,441
2006	25,000	1,553
2007	<u>25,000</u>	<u>666</u>
Totals	<u>\$75,000</u>	<u>\$4,660</u>

NOTE 6 - RISK MANAGEMENT:

The Fire District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:

The Fire District provides pension benefits for substantially all of its volunteer employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Fire District Board of Trustees. The Fire District is not a trustee of the plan, nor is the District responsible for investment management of plan assets. The Fire District made the required contribution of \$9,897 for the year ending June 30, 2004.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

Plan description and provisions:

The full-time employees of the Saugatuck Township Fire District participate in the Michigan Municipal Employees' Retirement System ("System"), a multi-employer public retirement system.

Employees who retire at or after age sixty with ten years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.25% of final average compensation, with a maximum benefit of 80% of final average compensation. Final average compensation is the employee's average salary over the last five years of credited service. Benefits fully vest upon reaching ten years of service. Vested employees may retire at or after age fifty with specified years of credited service and receive reduced retirement benefits. The System also provides death and total disability benefits, and certain post-retirement adjustments to the amount of retirement benefits.

The Fire District is required by state statute to contribute actuarially-determined amounts necessary to pay benefits when due. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Annual pension cost:

For the year ended June 30, 2004, the Fire District's annual pension cost was \$49,330, which included payments of \$27,504 toward past service costs. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) an added percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Saugatuck Township Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued):

Three-year trend information is as follows:

<i><u>Fiscal year ending</u></i>	<i><u>Annual pension cost (APC)</u></i>	<i><u>Percentage of APC contributed</u></i>	<i><u>Net pension obligation</u></i>
06/30/02	\$30,678	100%	-
06/30/03	47,566	100%	-
06/30/04	49,330	100%	-

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2004, the Fire District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. The Fire District has applied the provisions of this statement, except for the management's discussion and analysis. In connection with the implementation of this statement, the following adjustments to beginning net assets has been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported	\$ 340,196
Capitalization of capital assets, net of accumulated depreciation, not previously reported	761,427
Long-term liabilities, including note payable, that were previously reported in the General Long-term Debt Account Group	<u>(100,000)</u>
Net assets, as restated	<u>\$1,001,623</u>

REQUIRED SUPPLEMENTARY INFORMATION

Saugatuck Township Fire District
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contributions from local units	\$ 430,386	\$ 430,386	\$ 430,997	\$ 611
Interest	4,000	1,900	2,118	218
Other:				
Sales of capital assets	-	15,000	15,000	-
Donations	-	9,392	9,392	-
Miscellaneous	-	750	750	-
<i>Total revenues</i>	<u>434,386</u>	<u>457,428</u>	<u>458,257</u>	<u>829</u>
EXPENDITURES				
Public safety:				
Salaries and wages:				
Chief	49,000	49,000	49,915	(915)
Board and officers	11,600	11,600	11,640	(40)
Firemen and responder	75,750	75,750	63,941	11,809
Other	72,000	72,000	73,347	(1,347)
Payroll taxes	16,000	16,000	15,274	726
Telephone	9,500	8,500	8,213	287
Repairs and maintenance:				
Equipment	15,000	7,000	6,475	525
Building	3,000	3,500	3,421	79
Boat	4,000	12,250	12,315	(65)
Gas, oil, and supplies	22,400	14,900	13,518	1,382
Insurance	34,500	30,500	31,473	(973)
Health insurance	17,000	17,000	16,976	24
Retirement	70,500	70,078	59,568	10,510
Utilities	8,500	8,900	8,940	(40)
Rent	1,200	1,200	1,200	-
Professional services	2,000	2,000	1,320	680
Inspections	5,500	4,350	4,284	66
Bookkeeping	3,300	3,300	4,125	(825)
Education	5,000	4,000	3,525	475
Medical supplies	2,000	2,000	1,806	194
Promotions	3,500	3,200	3,114	86
Miscellaneous	13,100	5,700	5,953	(253)
<i>Total public safety - fire department</i>	<u>444,350</u>	<u>422,728</u>	<u>400,343</u>	<u>22,385</u>
Capital outlay	<u>15,000</u>	<u>6,000</u>	<u>6,199</u>	<u>(199)</u>
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	700	3,700	3,380	320
<i>Total debt service</i>	<u>25,700</u>	<u>28,700</u>	<u>28,380</u>	<u>320</u>
<i>Total expenditures</i>	<u>485,050</u>	<u>457,428</u>	<u>434,922</u>	<u>22,506</u>

Saugatuck Township Fire District**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (50,664)	\$ -	\$ 23,335	\$ (23,335)
FUND BALANCE - BEGINNING OF YEAR	<u>340,196</u>	<u>340,196</u>	<u>340,196</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 289,532</u>	<u>\$ 340,196</u>	<u>\$ 363,531</u>	<u>\$ (23,335)</u>

Saugatuck Township Fire District
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date <u>December 31,</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Unfunded AAL (UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
1999	\$ 14,993	\$162,746	\$147,753	9%	\$ 37,173	397%
2000	30,527	200,685	170,158	15%	68,508	248%
2001	83,735	221,064	137,329	38%	103,262	133%
2002	136,059	245,978	109,919	55%	128,969	85%
2003	210,257	271,239	60,982	78%	132,030	46%